

AMENDED IN ASSEMBLY JUNE 19, 2006

AMENDED IN SENATE APRIL 18, 2006

AMENDED IN SENATE MARCH 28, 2006

SENATE BILL

No. 1704

Introduced by Senator Kuehl

February 24, 2006

An act to amend Sections 127660, 127662, 127664, and 127665 of the Health and Safety Code, relating to public health.

LEGISLATIVE COUNSEL'S DIGEST

SB 1704, as amended, Kuehl. Health care benefits.

Existing law requests the University of California to assess legislation proposing a mandated health benefit or service, as defined, to be provided by health care service plans and health insurers, and to prepare a written analysis in accordance with specified criteria.

This bill would, instead, request the University of California to *establish the California Health Benefit Review Program* to assess legislation proposing to mandate a benefit or service, as defined, and legislation proposing to repeal a mandated service or benefit, as defined, ~~that is enacted and becomes~~, *if enacted, would become* effective on or after January 1, 2008, and to prepare a written analysis in accordance with specified criteria.

Existing law further requests the University of California to develop and implement conflict-of-interest provisions that would prohibit a person from participating in any analysis in which he or she knows or has reason to know he or she has a material financial interest.

Existing law requests the University of California to submit a report to the Governor and the Legislature no later than January 1, 2006, regarding the implementation of the aforementioned provisions.

This bill would request the University of California to submit another such report to the Governor and the Legislature by January 1, 2010.

Existing law provides funding for the University of California's implementation of these provisions from fees imposed upon health care service plans and health insurers, which would not exceed a total of \$2,000,000, and are to be deposited in the Health Care Benefits Fund.

This bill would extend to January 1, 2011, the repeal date of those provisions, and would authorize the continued imposition of that fee through the 2009–10 fiscal year.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 127660 of the Health and Safety Code
- 2 is amended to read:
- 3 127660. (a) The Legislature hereby requests the University
- 4 of California to *establish the California Health Benefit Review*
- 5 *Program* to assess legislation proposing to mandate a benefit or
- 6 service, as defined in subdivision (c), and legislation proposing to
- 7 repeal a mandated benefit or service, as defined in subdivision
- 8 (d), and to prepare a written analysis with relevant data on the
- 9 following:
- 10 (1) Public health impacts, including, but not limited to, all of
- 11 the following:
- 12 (A) The impact on the health of the community, including the
- 13 reduction of communicable disease and the benefits of
- 14 prevention such as those provided by childhood immunizations
- 15 and prenatal care.
- 16 (B) The impact on the health of the community, including
- 17 diseases and conditions where gender and racial disparities in
- 18 outcomes are established in peer-reviewed scientific and medical
- 19 literature.
- 20 (C) The extent to which the benefit or service reduces
- 21 premature death and the economic loss associated with disease.

1 (2) Medical impacts, including, but not limited to, all of the
2 following:

3 (A) The extent to which the benefit or service is generally
4 recognized by the medical community as being effective in the
5 screening, diagnosis, or treatment of a condition or disease, as
6 demonstrated by a review of scientific and peer reviewed medical
7 literature.

8 (B) The extent to which the benefit or service is generally
9 available and utilized by treating physicians.

10 (C) The contribution of the benefit or service to the health
11 status of the population, including the results of any research
12 demonstrating the efficacy of the benefit or service compared to
13 alternatives, including not providing the benefit or service.

14 (D) The extent to which mandating or repealing the benefits or
15 services would not diminish or eliminate access to currently
16 available health care benefits or services.

17 (3) Financial impacts, including, but not limited to, all of the
18 following:

19 (A) The extent to which the coverage or repeal of coverage
20 will increase or decrease the benefit or cost of the benefit or
21 service.

22 (B) The extent to which the coverage or repeal of coverage
23 will increase the utilization of the benefit or service, or will be a
24 substitute for, or affect the cost of, alternative benefits or
25 services.

26 (C) The extent to which the coverage or repeal of coverage
27 will increase or decrease the administrative expenses of health
28 care service plans and health insurers and the premium and
29 expenses of subscribers, enrollees, and policyholders.

30 (D) The impact of this coverage or repeal of coverage on the
31 total cost of health care.

32 (E) The potential cost or savings to the private sector,
33 including the impact on small employers as defined in paragraph
34 (1) of subdivision (l) of Section 1357, the Public Employees'
35 Retirement System, other retirement systems funded by the state
36 or by a local government, individuals purchasing individual
37 health insurance, and publicly funded state health insurance
38 programs, including the Medi-Cal program and the Healthy
39 Families Program.

1 (F) The extent to which costs resulting from lack of coverage
2 or repeal of coverage are or would be shifted to other payers,
3 including both public and private entities.

4 (G) The extent to which mandating or repealing the proposed
5 benefit or service would not diminish or eliminate access to
6 currently available health care benefits or services.

7 (H) The extent to which the benefit or service is generally
8 utilized by a significant portion of the population.

9 (I) The extent to which health care coverage for the benefit or
10 service is already generally available.

11 (J) The level of public demand for health care coverage for the
12 benefit or service, including the level of interest of collective
13 bargaining agents in negotiating privately for inclusion of this
14 coverage in group contracts, and the extent to which the
15 mandated benefit or service is covered by self-funded employer
16 groups.

17 (K) In assessing and preparing a written analysis of the
18 financial impact of legislation proposing to mandate a benefit or
19 service and legislation proposing to repeal a mandated benefit or
20 service pursuant to this paragraph, the Legislature requests the
21 University of California to use a certified actuary or other person
22 with relevant knowledge and expertise to determine the financial
23 impact.

24 (b) The Legislature requests that the University of California
25 provide every analysis to the appropriate policy and fiscal
26 committees of the Legislature not later than 60 days after
27 receiving a request made pursuant to Section 127661. In addition,
28 the Legislature requests that the university post every analysis on
29 the Internet and make every analysis available to the public upon
30 request.

31 (c) As used in this section, “legislation proposing to mandate a
32 benefit or service” means a proposed statute that requires a health
33 care service plan or a health insurer, or both, to do any of the
34 following:

35 (1) Permit a person insured or covered under the policy or
36 contract to obtain health care treatment or services from a
37 particular type of health care provider.

38 (2) Offer or provide coverage for the screening, diagnosis, or
39 treatment of a particular disease or condition.

1 (3) Offer or provide coverage of a particular type of health
2 care treatment or service, or of medical equipment, medical
3 supplies, or drugs used in connection with a health care treatment
4 or service.

5 (d) As used in this section, “legislation proposing to repeal a
6 mandated benefit or service” means a proposed statute that ~~is~~
7 ~~enacted and becomes, if enacted, would become~~ operative on or
8 after January 1, 2008, and ~~repeals~~ *would repeal* an existing
9 requirement that a health care service plan or a health insurer, or
10 both, do any of the following:

11 (1) Permit a person insured or covered under the policy or
12 contract to obtain health care treatment or services from a
13 particular type of health care provider.

14 (2) Offer or provide coverage for the screening, diagnosis, or
15 treatment of a particular disease or condition.

16 (3) Offer or provide coverage of a particular type of health
17 care treatment or service, or of medical equipment, medical
18 supplies, or drugs used in connection with a health care treatment
19 or service.

20 SEC. 2. Section 127662 of the Health and Safety Code is
21 amended to read:

22 127662. (a) In order to effectively support the University of
23 California and its work in implementing this chapter, there is
24 hereby established in the State Treasury, the Health Care
25 Benefits Fund. The university’s work in providing the bill
26 analyses shall be supported from the fund.

27 (b) For fiscal years 2006–07 to 2009–10, inclusive, each
28 health care service plan, except a specialized health care service
29 plan, and each health insurer, as defined in Section 106 of the
30 Insurance Code, shall be assessed an annual fee in an amount
31 determined through regulation. The amount of the fee shall be
32 determined by the Department of Managed Health Care and the
33 Department of Insurance in consultation with the university and
34 shall be limited to the amount necessary to fund the actual and
35 necessary expenses of the university and its work in
36 implementing this chapter. The total annual assessment on health
37 care service plans and health insurers shall not exceed two
38 million dollars (\$2,000,000).

39 (c) The Department of Managed Health Care and the
40 Department of Insurance, in coordination with the university,

1 shall assess the health care service plans and health insurers,
2 respectively, for the costs required to fund the university's
3 activities pursuant to subdivision (b).

4 (1) Health care service plans shall be notified of the
5 assessment on or before June 15 of each year with the annual
6 assessment notice issued pursuant to Section 1356. The
7 assessment pursuant to this section is separate and independent of
8 the assessments in Section 1356.

9 (2) Health insurers shall be noticed of the assessment in
10 accordance with the notice for the annual assessment or quarterly
11 premium tax revenues.

12 (3) The assessed fees required pursuant to subdivision (b) shall
13 be paid on an annual basis no later than August 1 of each year.
14 The Department of Managed Health Care and the Department of
15 Insurance shall forward the assessed fees to the Controller for
16 deposit in the Health Care Benefits Fund immediately following
17 their receipt.

18 (4) "Health insurance," as used in this subdivision, does not
19 include Medicare supplement, vision-only, dental-only, or
20 CHAMPUS supplement insurance, or hospital indemnity,
21 accident-only, or specified disease insurance that does not pay
22 benefits on a fixed benefit, cash payment only basis.

23 SEC. 3. Section 127664 of the Health and Safety Code is
24 amended to read:

25 127664. The Legislature requests the University of California
26 to submit a report to the Governor and the Legislature by January
27 1, 2010, regarding the implementation of this chapter.

28 SEC. 4. Section 127665 of the Health and Safety Code is
29 amended to read:

30 127665. This chapter shall remain in effect until January 1,
31 2011, and shall be repealed as of that date, unless a later enacted
32 statute that becomes operative on or before January 1, 2011,
33 deletes or extends that date.